RONYX corporation limited

1973
Annual Report

FLEET industries

RONARK developments

RONYX corporation limited

DIRECTORS

Ronald K. Fraser	President Ronyx Corporation Limited
Samuel Lax	President Lax Iron & Steel Ltd., Hamilton
C. Norman Lucas	President and Chief Executive Officer Dynamic Industries Inc., Quebec
Donald G. MacDonald	Vice President and General Manager Ronark Developments, Hamilton
D. Donald C. McGeachy	Director and Consultant London
G. Philip Morphy	Corporate Vice President Ronyx Corporation Limited
J. Frederick Taylor	President J. F. Taylor & Associates Ltd., Ottawa

AUDITORS

Clarkson, Gordon & Co.
Hamilton, Ontario

BANKERS

The Toronto-Dominion Bank

TRANSFER AGENTS

Guaranty Trust Company
of Canada,
Toronto, Ontario
Montreal, Quebec
Vancouver, British Columbia

OFFICERS

RONYX corporation limited

Ronald K. Fraser	President
G. Philip Morphy	Corporate Vice President
E. Delbert Hickey	Vice President Legal
Jean E. Spacca	Secretary

FLEET industries **Manufacturing Division**

Gordon B. Sampson	Vice President and General Manager
Leonard Maloney	Director of Manufacturing
Alexander J. Cook	Director of Marketing
Roy Dear	Treasurer and Controller

RONARK developments **Real Estate Division**

Donald G. MacDonald	Vice President and General Manager
Donald G. Ness	Senior Vice President
Frank T. Wilkinson	Vice President, Land Development and Sales
Clifford J. Bryson	Construction Manager
William C. Hesler	Treasurer and Controller

HEAD OFFICE 20 Hughson Street South, Hamilton, Ontario

MAILING ADDRESS P.O. Box 800, Hamilton, Ontario L8N 3M8

FINANCIAL HIGHLIGHTS (in thousands of dollars except for per share information)

	Year Ended September 30, 1973			Year Ended September 30, 1972		
	Manufacturing	Real Estate	Total	Manufacturing	Real Estate	Total
SALES	$ 8,403	$ 6,537	$ 14,940	$ 6,602	$ 13,570	$ 20,172
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM	$ 46	$ 179	$ 225	$ (101)	$ 365	$ 264
EXTRAORDINARY ITEM	—	—	—	—	$ 493	$ 493
NET EARNINGS	$ 46	$ 179	$ 225	$ (101)	$ 858	$ 757
ORDER BACKLOG	$ 21,600	$ 25,000	$ 46,600	$ 19,400	$ 12,600	$ 32,000
EARNINGS PER COMMON SHARE Based on weighted average number of shares outstanding			$ .09			$ .33
WORKING CAPITAL			$ 4,232			$ 3,819
NEW FACILITIES AND EQUIPMENT			$ 239			$ 59
LONG TERM DEBT			$ 3,140			$ 3,003
SHAREHOLDERS' EQUITY AT YEAR END			$ 4,308			$ 4,099
COMMON SHARES OUTSTANDING AT YEAR END (32,257 preference shares outstanding at September 30, 1972)			2,521,000			2,198,430
COMMON SHAREHOLDERS' EQUITY PER SHARE			$ 1.71			$ 1.72

RONYX corporation limited

PRESIDENT'S LETTER

TO THE SHAREHOLDERS:

On consolidated sales of $14.9 million, net income was $225,000. This compares to $757,000 for the preceding twelve months, which included an extraordinary gain of $493,000 on sales of $20.2 million.

FLEET INDUSTRIES, the manufacturing division, enjoyed increased sales of $1.8 million over the preceding year and was able to produce a profit for the first time since 1969. Higher activity is evidenced by the average employment of 458 for the year compared to 416 for the previous year. Current employment is 690 resulting from an order backlog which has built up progressively by approximately $13 million over the last two years to $21.6 million at year end with future options, not yet exercised, amounting to $19.9 million.

To complement the major structures being manufactured for the Lockheed L1011 TriStar and the McDonnell Douglas DC9, Fleet broadened its customer base during the year when it was awarded a contract for the Boeing 707 fin and rudder. Negotiations are currently proceeding for major components on the Boeing 747 SP, a shortened version of the 747 now in production.

Additional orders for bonded components for the de Havilland C6 Twin Otter have been placed and reactivation of the C5 Buffalo program is imminent. Although two prototypes of the DH C7 are under construction, there has been no release of production orders for this new commercial STOL aircraft. However, there has been increasing interest in short haul air transportation and the Federal Government demonstration system will go into effect early next year between Montreal and Ottawa.

In conjunction with Canadian Westinghouse, sonar systems are being manufactured for Belgium, West Germany and the Netherlands. Prospects for future orders from N.A.T.O. countries appear favourable.

In other areas of diversification, the manufacture of structures for the Bell air cushion vehicles is proceeding and Fleet is reviewing the opportunity for participation in the new ground transportation systems being sponsored by the Ontario Transportation Development Corporation.

Fleet has also obtained follow-on orders from Lockheed Electronics for hardware to be incorporated into shipboard fire control systems for the U.S. Navy.

Based on existing schedules, employment activity should continue at the current level throughout this year. The earnings prospects are encouraging with sales estimated at approximately $12 million, an increase approaching 50% over reported sales for the previous year.

RONARK DEVELOPMENTS, the real estate division, realized a profit of $179,000 on reduced sales of $6.5 million. This compares to $365,000 for the previous year excluding the extraordinary gain of $493,000 from affiliated companies.

This year, Ronark substantially redirected its efforts into land acquisition and the construction of condominium units, single family homes and rental accommodation, with lesser stress on contracts for government owned housing.

Ronark, with 50% ownership in each case, now has joint development agreements completed on 219 acres of land in Brampton (Calvert-Dale Estates Limited), London (Ellis-Don Limited and Fraleigh interests) and Kitchener-Waterloo (Major Holdings & Developments Limited), and is proceeding with development of 33 acres currently in Ronark inventory.

The year ended with a backlog of $25 million and it is expected that 1,860 units will be under construction before September 30, 1974. Also, depending on progress in planning and design, a further 615 units valued at $6 million may be started during the year.

The work in hand breaks down as follows:

Contract housing	7%
Condominium units	67%
Single Family units	15%
Rental units	11%

Forecast sales for 1974 will approach $15 million and the coming year should produce improved results.

SANDTRON ELECTRONIC INDUSTRIES LIMITED, in which Ronyx Corporation Limited has a 50% interest, is a young company specializing in the field of industrial process controls. While not yet profitable, it is building up its sales organization and has recently received financial assistance from the Federal Government for new product development under their program for the advancement of industrial technology. Sandtron has moved to new premises located on the North Service Road of the Queen Elizabeth Way at Oakville.

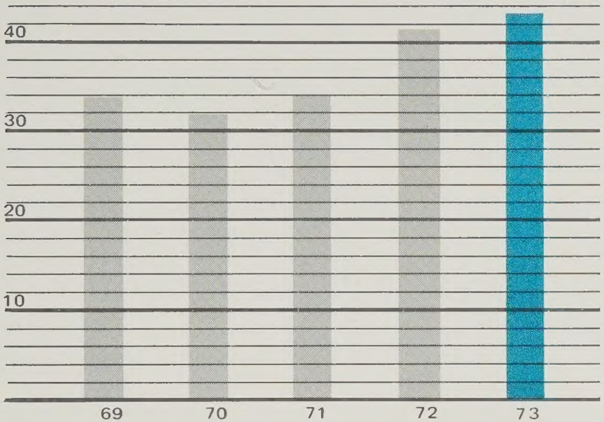
This most encouraging report is possible only because of the dedication and extraordinary effort of a great many employees. Steps have been taken to strengthen our corporate base and our management teams but the task is not yet completed.

General economic conditions affecting all of our diversified activities are more difficult to forecast than at any time in recent history. Shortages and increasing costs of materials and money are already apparent and what effect, even though indirect, the energy crisis will have is not yet known. Your management is making every attempt to minimize disruption of scheduled production but whether our sales will be substantially affected is not determinable at this time.

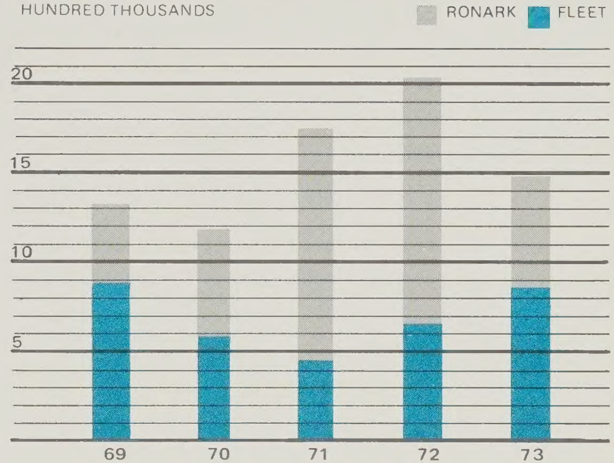
R. K. FRASER,
President.

November 23, 1973

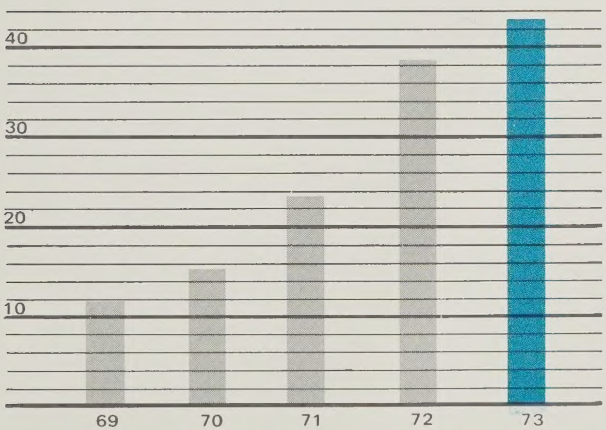
SHAREHOLDERS' EQUITY
HUNDRED THOUSANDS



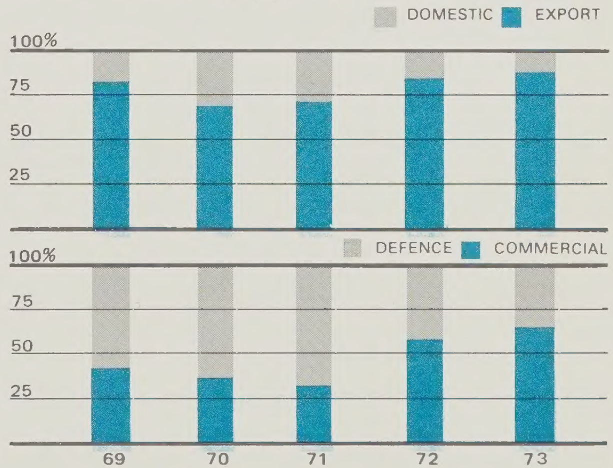
SALES MANUFACTURING & REAL ESTATE
HUNDRED THOUSANDS



WORKING CAPITAL
HUNDRED THOUSANDS



ANALYSIS OF MANUFACTURING SALES



CONSOLIDATED BALANCE SHEET

ASSETS

	1973	1972
CURRENT:		
Cash and short term deposits	$ 453	$ 657
Accounts receivable	2,575	2,832
Due from affiliated companies	59	37
Inventories (note 3)	5,721	4,007
Prepaid expenses and other current assets	194	144
Total current assets	9,002	7,677
INVESTMENT IN AFFILIATED COMPANIES, on the equity basis	1,052	901
MORTGAGE RECEIVABLE, due December 6, 1974	113	
FIXED (note 4):		
Land, buildings, machinery and equipment, at cost	4,129	3,936
Less accumulated depreciation	2,668	2,518
	1,461	1,418
DEFERRED CHARGES, less amortization (note 2(c))	917	964
	$ 12,545	$ 10,960

On behalf of the Board:

RONALD K. FRASER, Director

G. PHILIP MORPHY, Director

SEPTEMBER 30, 1973 (with comparative figures at September 30, 1972) (in thousands of dollars)

LIABILITIES

	1973	1972
CURRENT:		
Bank indebtedness (note 5)	$ 728	$ 280
Accounts payable and accrued charges	2,094	2,425
Mortgages payable on land and housing units under construction (note 6)	1,092	143
Demand notes—payable to affiliated company	320	320
Current instalments on long term debt (note 7)	276	134
Deferred income taxes relating to current assets	260	556
Total current liabilities	4,770	3,858
LONG TERM DEBT (note 7)	3,140	3,003
DEFERRED INCOME TAXES	327	
SHAREHOLDERS' EQUITY:		
Capital stock (note 9)—		
6% cumulative redeemable convertible preference shares with a par value of $10 each:		
Authorized and issued - Nil shares (32,257 in 1972)		322
Common shares without nominal or par value:		
Authorized - 5,116,490 shares		
Issued - 2,521,000 (2,198,430 in 1972)	2,240	1,918
	2,240	2,240
Retained earnings	2,068	1,859
	4,308	4,099
	$ 12,545	$ 10,960

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED SEPTEMBER 30, 1973 (with comparative figures for 1972) (in thousands of dollars)

	Twelve months ended September 30 1973			Three months ended September 30, 1972 Total	Twelve months ended September 30, 1972 Total (unaudited)
	Manufacturing	Real Estate	Total		
Sales	$ 8,403	$ 6,537	$ 14,940	$ 4,086	$ 20,172
Income (loss) from operations before income taxes	$ 88	$ 37	$ 125	$ (48)	$ 507
Income taxes	17	11	28	(24)	276
Income (loss) before income of affiliated companies	71	26	97	(24)	231
Income from operations of affiliated companies	(25)	153	128	3	33
Income (loss) before extraordinary item	46	179	225	(21)	264
Gains on sale of properties by affiliated companies	—	—	—	—	493
Net income (loss) for the period	$ 46	$ 179	225	(21)	757
Retained earnings at beginning of period			1,859	1,880	1,189
			2,084	1,859	1,946
Deduct dividends paid on preference shares - arrears			5	—	59
- current			11	—	28
Retained earnings at end of period			$ 2,068	$ 1,859	$ 1,859
Earnings (loss) per common share after deducting dividend requirements on preference shares (based on the weighted average number of shares outstanding):					
Income before extraordinary item			$ .09	$ (.01)	$ .11
Net income for period			$ .09	$ (.01)	$ .33

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED SEPTEMBER 30, 1973
(with comparative figures for the fifteen month period ended September 30, 1972)
(in thousands of dollars)

	1973 (Twelve months)	1972 (Fifteen months)
SOURCE OF FUNDS:		
Operations -		
Net income for period	$ 225	$ 778
Depreciation	196	246
Amortization of deferred charges	297	166
Deferred income taxes	28	—
Funds from operations	746	1,190
Increase in long term debt	137	950
Long term receivables repaid	—	157
Increase in deferred income taxes	299	—
	1,182	2,297
APPLICATION OF FUNDS:		
New facilities and equipment (net)	239	65
Deferred charges	250	243
Increase in investments in affiliated companies	151	343
Dividends paid	16	87
Increase in mortgage receivable	113	—
Repayment of long term debt	—	127
	769	865
INCREASE IN WORKING CAPITAL	413	1,432
WORKING CAPITAL BEGINNING OF PERIOD	3,819	2,387
WORKING CAPITAL END OF PERIOD	$ 4,232	$ 3,819

See accompanying notes to consolidated financial statements.

AUDITORS' REPORT

To the Shareholders of
Ronyx Corporation Limited
(formerly Fleet Manufacturing Limited):

We have examined the consolidated balance sheet of Ronyx Corporation Limited as at September 30, 1973 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. For Ronyx Corporation Limited and for those other companies of which we are the auditors and which are consolidated or are accounted for by the equity method in these financial statements, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For other companies accounted for by the equity method we have relied on the reports of the auditors who have examined their financial statements.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants.

Hamilton, Canada,
November 16, 1973.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1973

(1) **Change of name -**

By Articles of Amendment granted February 1, 1973 the corporate name Fleet Manufacturing Limited was changed to Ronyx Corporation Limited.

(2) **Accounting policies -**

(a) The consolidated financial statements as at September 30, 1973 include the accounts of the company's wholly-owned subsidiaries, Grisenthwaite Construction Company Limited and W. Grisenthwaite Developments Limited. The investments in affiliated companies which are owned to the extent of 50% are not consolidated but are included in the financial statements on the equity basis.

(b) Gross profit on contracts is recorded as follows:

(i) On contracts extending beyond one year billable at a fixed price per unit, the proportion of total estimated gross profit for the entire contract applicable to the number of units shipped.

(ii) On other contracts billable at a fixed price per unit, the actual gross profit applicable to units shipped.

(iii) On other manufacturing contracts and on residential construction contracts, the percentage of completion method.

Where it is expected that a loss will be incurred on completion, provision is made for the total estimated loss. In the case of contracts extending beyond one year, revisions in cost and profit estimates, which can be significant, are reflected in the accounting period in which the relevant facts become known.

(c) In the case of the Lockheed TriStar program, which will extend over several years, financing, engineering and tooling costs have been deferred in the accounts and are being amortized by charges to income as units are shipped. The amortization rate is based on the program projections of Lockheed Aircraft Corporation for 352 aircraft. Lockheed reports it has firm orders for 126 aircraft and options for a further 73. Fleet has delivered 73 ship sets.

Engineering and tooling costs applicable to other programs are included in work in process to the extent recoverable.

(3) **Inventories -**

Inventories are valued at the lower of cost and net realizable value and consist of the following:

	1973	1972
	(in thousands of dollars)	
Manufacturing:		
Work in progress (after deducting progress payments of $477,000 in 1973 and $379,000 in 1972)	**$ 2,357**	$ 2,121
Raw materials and supplies	**978**	648
	3,335	2,769
Real estate group:		
Work in progress	**1,305**	411
Land for resale	**1,081**	827
	2,386	1,238
	$ 5,721	$ 4,007

(4) **Fixed assets -**

Fixed assets consist of the following:

	1973			1972
	Cost	**Accumulated depreciation**	**Net book value**	Net book value
		(in thousands of dollars)		
Manufacturing division:				
Land (approximately 152 acres in Fort Erie)	**$ 41**	**$ —**	**$ 41**	$ 41
Buildings	**1,500**	**686**	**814**	770
Machinery and equipment	**2,390**	**1,868**	**522**	528
	3,931	**2,554**	**1,377**	1,339
Real estate division:				
Furniture, fixtures, equipment and leasehold improvements	**198**	**114**	**84**	79
	$ 4,129	**$ 2,668**	**$ 1,461**	$ 1,418

Depreciation is computed as follows:

On diminishing balance -	Buildings	5% or 10%
	Machinery, furniture and equipment	20%
	Automobiles	30%
On straight-line basis -	Leasehold improvements	Term of lease

(5) **Bank indebtedness -**

Bank indebtedness of the manufacturing division is repayable on demand and is secured by a $1,500,000 debenture with a first floating charge on all company property and assets. The real estate division has no bank indebtedness at September 30, 1973.

(6) **Mortgages payable on land and housing units under construction -**

Mortgages and other amounts owing on lands and housing units under construction consist of the following:

	1973	1972
	(in thousands of dollars)	
Mortgages on land	**$ 351**	$ 81
Mortgage advances on work in progress	**733**	62
Customer deposits on housing units	**8**	—
	$ 1,092	$ 143

(7) **Long term debt -**

The long term debt of the manufacturing division consists of the following:

	1973	1972
	(in thousands of dollars)	
Capitalized lease agreement with Citicorp Leasing International Inc. for generating equipment, due September 30, 1978	**$ 73**	$ —
Repayable portion of non-interest bearing federal government assistance payments for purchase of machine tools, due October 2, 1974	**113**	233
8¼% mortgage debenture payable to Ontario Development Corporation for additions to manufacturing plant secured by specific mortgage on the land and buildings, due July 15, 1980	**230**	254
Term bank loan for the financing of the Lockheed TriStar program, due September 30, 1982, secured by a $3,000,000 debenture with a second floating charge on all company property and assets and a second pledge of accounts receivable and inventories	**3,000**	2,650
	3,416	3,137
Less principal repayments due within one year	**276**	134
	$ 3,140	$ 3,003

The remaining long term debt requirements payable for the fiscal years 1974 to 1978 are as follows:

1974 - $276,000; 1975 - $547,000; 1976 - $545,000; 1977 - $548,000; 1978 - $488,000.

(8) **Contingent liability -**

In prior years the cost of certain fixed asset additions was reduced by the proceeds of a forgiveable loan from the Ontario Development Corporation in the amount of $218,000. The loan, of which $44,000 has been forgiven at September 30, 1973, is secured by the same mortgage as the 8¼% mortgage debenture (note 7). The remainder of $174,000 is forgiveable over four years providing the company continues its present operations. The company is contingently liable under guarantees and other commitments in the amount of $250,000.

(9) **Capital stock -**

During the year, the 32,257 remaining outstanding preference shares were converted into 322,570 common shares on the basis of 10 common shares for 1 preference share in accordance with the company's Articles of Incorporation.

(10) **Retirement plans -**

The total unamortized past service costs under retirement plans of the company at September 30, 1973, based on estimates by independent actuaries, amounted to $1,061,000. These costs, which are not included in the accompanying financial statements, are being amortized and charged to operations over the period to 1989.

(11) **Statutory information -**

The aggregate direct remuneration paid or payable by the company and its consolidated subsidiaries to the directors and senior officers of the company as defined by The Business Corporations Act of Ontario amounted to $331,000 in fiscal 1973.
Interest paid during the year on long term debt amounted to $252,000 and on other debt amounted to $39,000, of which $239,000 was capitalized.
Interest paid in the current and previous years and deducted in arriving at current year's income amounted to $265,000.
Depreciation deducted in arriving at income from operations amounted to $196,000.

SUPPLIERS TO:

Bell Aerospace Company

GENERAL ELECTRIC

GRUMMAN

BOEING COMMERCIAL AIRPLANE COMPANY

SPAR

SPAR

DEPARTMENT OF TRANSPORT
MINISTÈRE DES TRANSPORTS

A DIVISION OF
TEXTRON CANADA LIMITED

POST OFFICE BOX 160

RONYX

divisions

INTERIM REPORT

March 31, 1973

RONYX corporation limited

divisions

FLEET industries

RONARK developments

affiliate

SANDTRON electronic industries limited

RONYX corporation limited

CONSOLIDATED STATEMENT OF INCOME

(unaudited)
(expressed in thousands of dollars)

	Six Months ended March 31 1973 Fleet Industries	Ronark Developments	Total	1972 Total
Sales	$ 3,745	$ 3,622	$ 7,367	$ 10,499
Income (loss) from operations before income taxes	(101)	55	(46)	408
Income Taxes	(46)	27	(19)	261
Income (loss) before income of affiliated companies	(55)	28	(27)	147
Income from operations of affiliated companies		93	93	26
Income before extraordinary item	(55)	121	66	173
Gains on sale of properties by affiliated companies				166
Net income (loss) for six months	(55)	121	66	339
Earnings per common share:				
(a) before extraordinary item			$ 0.03	$ 0.07
(b) net income for six months			$ 0.03	$ 0.13

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(unaudited)
(expressed in thousands of dollars)

	Six Months ended March 31 1973	1972
SOURCE OF FUNDS:		
Operations—		
Net income for six months	$ 66	$ 339
Depreciation	94	92
Amortization of deferred charges	148	112
	308	543
Long term receivables repaid		152
Increase in long term debt		650
	$ 308	$ 1,345
APPLICATION OF FUNDS:		
New facilities and equipment (net)	38	11
Deferred charges	111	82
Increase in investment in affiliated companies	116	
Dividends paid	16	58
Repayment of long term debt	73	71
	354	222
INCREASE (DECREASE) IN WORKING CAPITAL	(46)	1,123
WORKING CAPITAL AT OCTOBER 1	3,819	2,709
WORKING CAPITAL AT MARCH 31	$ 3,773	$ 3,832

TO THE SHAREHOLDERS:

Consolidated sales for the first half of the current fiscal year were $7,367,000 with a net income after taxes of $66,000 compared to $10,499,000 and $339,000 respectively for the first half of the previous year. While Fleet Industries showed some improvement in reducing its losses, Ronark's profits were considerably lower primarily because of a drop in contracts for Ontario Housing Corporation.

REAL ESTATE DIVISION—RONARK DEVELOPMENTS

During the last year, Ronark has been building up its own land bank by direct purchases and by joint ventures. There has been less concentration on O.H.C. contracts which are fewer in number and much more competitive.

In the Hamilton - St. Catharines area, land in our inventory will provide for approximately 300 starts, including single family homes, single family lot sales, townhouses and high rise condominiums. There are no servicing problems but there remain zoning and site plan clearances for some subdivisions.

In the London - Sarnia area, land has been obtained to provide for 375 units. Also, Ronark has joined with Ellis Don Limited to form a company, in which each has a 50% interest, to develop 22 acres in the north end of London for mixed density housing.

In the Kitchener - Waterloo area, a start has been made on 40 units, the first of approximately 450 units, under the previously announced joint agreement with Major Holdings and Developments Limited, in which Ronark and Major each has a 50% interest.

In Brampton, Stradron Developments Limited, in which Ronark has a 50% interest, has signed an agreement with Calvert-Dale Estates Limited for the purchase of approximately 8 acres for mixed density housing. The agreement provides for the ultimate development, under a series of options, of an additional 94 acres in the heart of Brampton by Calron Developments Limited in which Ronark and Calvert-Dale Estates Limited will each have a 50% interest.

Sifton Properties Limited of London, Ontario and Ronark Developments have joined to form Arkton Developments Limited in which each will have a 50% interest, to engage in condominium housing development in Florida. An offer has been made and accepted on 40 acres of east coast land on Hutchison Island in the Stuart area with 900 feet on the ocean and 1,700 feet on the Indian River (Inland Waterway). The land is zoned for low rise condominium apartments but, at this date, the vendor has not met all the conditions of the offer.

At March 31, 1973, 789 housing units were under construction and the backlog was $12,610,887 inclusive of letters of intent, signed contracts and corporate commitments.

Our organization has been strengthened with the expectations of doubling our sales volume in 1974 and restoring earnings to previous levels in the next fiscal year.

MANUFACTURING DIVISION—FLEET INDUSTRIES

Although the Manufacturing Division sustained a loss in the first half of the year, it is expected to return to profitable operations in the second half. Employment is currently up from 393 at the year end to 465. This is primarily the result of increased schedule on the DC9 and the Boeing 707 contract for 35 ship sets of the fin and rudder assembly. With the addition of the Boeing contract, Fleet is now the only Canadian company producing components for commercial airframes for the three major U.S. firms—Douglas, Lockheed and Boeing.

The major contracts at the present time are Douglas DC9, flaps and ailerons; Lockheed L1011, dorsal fairing, undercarriage doors, aft engine cowling; Boeing 707, fin and rudder; de Havilland C6 Twin Otter, bonded components — C7, preproduction tooling and bonded components; Grumman A6A, flaps; General Electric, heat exchanger cabinets and stavemates; Lockheed Electronics, cabinets and antennae; Bell Aerospace Canada, air cushion vehicle structures.

The effect of this activity is to raise the order backlog to $23,100,000 with future options of $18,610,000 not yet booked. At the same time, quality standards and efficiency have improved substantially.

While start up costs, particularly in the Boeing 707 contract, have an adverse effect on profits at the present time, it is expected that the Manufacturing Division, after a number of lean years, will contribute significantly to the earnings of the Corporation in the next fiscal year.

AFFILIATE—SANDTRON ELECTRONIC INDUSTRIES LIMITED

This Company, in which Ronyx Corporation Limited, has a 50% interest, is moving shortly into new quarters on the north side of the Queen Elizabeth Way at Oakville. This is in anticipation of increased production in the field of industrial process controls. Much of the current activity is in development and this investment is not expected to make a contribution to the Corporation until the next fiscal year.

R. K. Fraser,
President.

May 22, 1973